

Revised

STATE OF WISCONSIN  
DEPARTMENT OF EMPLOYEE TRUST FUNDS  
801 West Badger Road  
Madison, WI 53702

CORRESPONDENCE MEMORANDUM

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**DATE:** February 12, 2003  
**TO:** Group Insurance Board  
**FROM:** Marcia Blumer  
**SUBJECT:** Milwaukee Teacher Death Benefit--UPDATE

**Staff recommends that the Board approve conversion of the Milwaukee Teachers Life Insurance program with a decreased lifetime benefit amount of \$1,300, as outlined in alternative #1 in Bob Willett's memo (attached).**

This memo is an update to the informational memo regarding the Milwaukee Teachers Death Benefit that you received with your Board materials last week. According to the latest estimates provided by ETF Controller, Bob Willett, the balance of the Milwaukee Teachers Death Benefit account will fall below ETF's initial estimate of \$1,014,000. (See attached memo.)

At the August 27, 2002, GIB meeting, Minnesota Life Insurance Company (MLIC) presented a proposal for changing the plan from an annual term insurance basis to a paid-up lifetime benefit basis. The proposal was to provide a benefit of \$3,500 during the insured's active employment and then for 15 years beyond the date of retirement. After that, a lifetime benefit would continue, with the amount of the benefit dependent on the account balance at the time of the conversion. Currently, participants in this plan have no paid-up benefit beyond the 15 years of coverage after the retirement date.

The Board approved the conversion plan provided that the fund balance fell within \$1,000,000 and \$1,095,000. If the balance fell outside of that range, the Board wanted to reconsider the proposal.

Bob Willett's memo illustrates the alternative pay schedule that was presented last August. That pay schedule proposes a \$1,300 lifetime benefit if the balance were to fall below \$1,000,000. Mr. Willett's best estimate is that recovering the investment losses will be a long-term proposition. Because the timing involved in recovering this fund to a level that would produce a better benefit is uncertain, ETF staff recommends that the Board approve conversion of the program with a decreased lifetime benefit amount of \$1,300, as outlined in alternative #1 in Bob's memo.